

File

AFTON MINES LTD.

(N.P.L.)

ANNUAL REPORT 1974

DIRECTORS

E. P. Chapman, Jr.
A. P. Fawley
R. E. Hallbauer
D. L. Hiebert
N. B. Keevil
N. B. Keevil, Jr.
J. D. Leishman
L. G. White

OFFICERS

N. B. Keevil, Chairman of the Board
N. B. Keevil, Jr., President
R. E. Hallbauer, Managing Director
D. L. Hiebert, Vice-President and Treasurer
J. D. Munroe, Secretary
G. R. Shipley, Assistant Secretary

Head Office

1199 West Hastings Street, Vancouver, B.C. V6E 2K5

Registrar and Transfer Agent

The Canada Trust Company, Vancouver, B.C., and Toronto, Ontario

Auditors

Coopers & Lybrand, Vancouver, B.C.

Records Office

26th Floor, Pacific Centre,
700 West Georgia Street,
Vancouver, B.C.



R. E. Hallbauer,



N. B. Keevil Jr.,

TO THE SHAREHOLDERS:

It is with regret that this review of activities for the period ending September 30, 1974 cannot include a production decision on the Afton copper deposit. Although our technical investigations continued with due dispatch, uncertainties over the tax and royalty climate made it impossible to reach any firm conclusions on the economic viability during the year.

The Afton copper deposit, located ten miles west of Kamloops, British Columbia, was discovered as a result of percussion drilling carried out in late 1971 and 1972. In the current period, a further 23,000 feet of diamond drilling, 7,700 feet of rotary drilling and 11,500 feet of percussion drilling was undertaken to define the deposit, to provide material for continued metallurgical studies and to test areas being considered for plant location and waste disposal.

Ore reserves within the planned open pit, extending to a depth of 900 feet, have been established at 34 million tons grading 1.0% copper, with a waste to ore ratio of 4.2 to one.

Metallurgical work by the Lakefield Research Laboratory indicated the feasibility of a copper recovery of 87% with a combined concentrate

grade of 60% copper. Approximately 30% of this copper can be recovered in a gravity concentrate grading better than 90% copper, the balance being recoverable as a flotation concentrate. Pilot plant tests on semi-autogenous grinding were carried out and the feasibility of this system has been established. Investigations into the further processing of the concentrates within British Columbia are continuing.

Further geophysical and geochemical surveys were carried out over the entire property. Additional mineral claims and other lands were acquired to provide the necessary surface rights in the area of the planned operation.

Legal surveys of the mineral claims were completed in preparation for application for mineral leases.

Conditional water licences were obtained and soil tests made in the proposed tailings impoundment area, preparatory to beginning final tailings dam design.

It should be emphasized that even though the regulations governing Bill 31 have now been revealed, there are still many uncertainties about the mining tax system, both at the Federal and Provincial level. We anticipate that this situation will be improved in the reasonably near future. However, until this occurs it will be difficult to obtain commitments of the major capital expenditures necessary for this project. Furthermore, present escalation rates in the construction industry are such that a definitive capital cost estimate can only be made when it is possible to select a specific date for the start of construction.

On Behalf of the Board,

R. E. Hallbauer,
Managing Director.

N. B. Keevil Jr.,
President.

Vancouver, B.C.
October 25, 1974.



AFTON MINES LTD. (N.P.L.)

BALANCE SHEET AS AT JUNE 30, 1974 AND SEPTEMBER 30, 1974

ASSETS			
	September 30 1974 \$	June 30 1974 \$	June 30 1973 \$
CURRENT ASSETS			
Cash and short-term deposits	8,349	176	6,654
Account receivable and prepaid expenses	<u>529</u>	<u>474</u>	
	8,878	650	6,654
FIXED ASSETS			
Land and grazing leases — at cost (notes 1 and 2)	405,000	405,000	137,500
Truck — at cost less accumulated depreciation of June 30, 1973 — \$1,473; 1974 — \$2,946; September 30, 1974 — \$3,314	<u>1,596</u>	<u>1,964</u>	<u>3,437</u>
	406,596	406,964	140,937
MINERAL PROPERTIES (notes 1 and 3)	301,300	301,300	91,300
DEFERRED COSTS (note 1)	<u>1,538,770</u>	<u>1,406,760</u>	<u>768,539</u>
	2,275,544	2,115,674	1,007,430

AUDITORS' REPORT TO
THE SHAREHOLDERS

We have examined the balance sheet of Afton Mines Ltd. (N.P.L.) as at June 30, 1974 and September 30, 1974 and the statements of deficit, deferred costs and source and use of working capital for the year ended June 30, 1974 and for the three months ended September 30, 1974. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at June 30, 1974 and September 30, 1974 and the results of its operations and the source and use of its working capital for the year ended June 30, 1974 and for the three months ended September 30, 1974, in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Vancouver, B.C.
October 22, 1974

Chartered Accountants

LIABILITIES

	September 30 1974 \$	June 30 1974 \$	June 30 1973 \$
CURRENT LIABILITIES			
Bank demand loan (note 4)	1,090,000	900,000	220,000
Accounts payable and accrued liabilities	<u>49,170</u>	<u>79,300</u>	<u>6,056</u>
Current portion of mortgage loan	70,000	70,000	
	1,209,170	1,049,300	226,056
6% MORTGAGE LOAN — secured by a portion of the company's land and repayable \$35,000 semi-annually	<u>105,000</u>	<u>105,000</u>	
	1,314,170	1,154,300	226,056
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (note 5)			
Authorized — 5,000,000 shares without par value			
Issued and fully paid —			
1,926,520 shares — for cash	818,927	818,927	818,927
717,500 shares for mineral properties	<u>221,500</u>	<u>221,500</u>	<u>41,500</u>
	1,040,427	1,040,427	860,427
DEFICIT	<u>79,053</u>	<u>79,053</u>	<u>79,053</u>
	961,374	961,374	781,374
	2,275,544	2,115,674	1,007,430

SIGNED ON BEHALF OF THE BOARD

[Signature] Director

[Signature] Director

STATEMENT OF DEFERRED COSTS
FOR YEAR ENDED JUNE 30, 1974 AND
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1974

	Balance June 30 1973 \$	Expenditures during the year ended June 30 1974 \$	Balance June 30 1974 \$	Expenditures during three months ended September 30 1974 \$	Balance September 30 1974 \$
EXPLORATION AND DEVELOPMENT					
Assaying	53,773		53,773		53,773
Drilling	442,890		442,890		442,890
Engineering	78,327		78,327		78,327
Field office		2,796		2,796	2,796
Induced Polarization surveys	6,344		6,344		6,344
Licences, assessments and sundry	21,157	12,602	33,759		33,759
Staking and surveying	22,219	14,124	36,343		36,343
	<u>624,710</u>	<u>29,522</u>	<u>654,232</u>		<u>654,232</u>
PREPRODUCTION					
Mine exploration and development		136,718	136,718	13,306	150,024
Field operations		28,725	28,725	7,729	36,454
Mineral claims and land services		11,021	11,021		11,021
Engineering costs		58,912	58,912	21,048	79,960
Plant site development		43,032	43,032		43,032
Consultants' fees		9,477	9,477	16,961	26,438
Metallurgical research		140,056	140,056	17,846	157,902
Tailings dam design and pollution control		9,665	9,665	4,708	14,373
Environmental studies		11,500	11,500		11,500
Finance fees		34,237	34,237	27,868	62,105
		<u>483,343</u>	<u>483,343</u>	<u>109,466</u>	<u>592,809</u>
ADMINISTRATION					
Depreciation	1,473	1,473	2,946	368	3,314
Incorporation costs	1,394		1,394		1,394
Interest earned	(12,463)	(456)	(12,919)		(12,919)
Loan interest	7,344	39,726	47,070	32,280	79,350
Legal, audit and accounting	92,678	25,660	118,338	900	119,238
Office and management	83,959	42,533	126,492	9,384	135,876
Transfer agent	10,915	2,538	13,453	415	13,868
Shareholders' information, stock exchange, and other	37,582	13,882	51,464	(803)	50,661
	<u>222,882</u>	<u>125,356</u>	<u>348,238</u>	<u>42,544</u>	<u>390,782</u>
	847,592	638,221	1,485,813	152,010	1,637,823
Costs relating to abandoned project written-off to deficit	79,053		79,053		79,053
	<u>768,539</u>	<u>638,221</u>	<u>1,406,760</u>	<u>152,010</u>	<u>1,558,770</u>

STATEMENT OF DEFICIT
FOR THE YEAR ENDED JUNE 30, 1974 AND
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1974

	September 30 1974 \$	June 30 1974 \$	June 30 1973 \$
BALANCE — BEGINNING OF PERIOD	79,053	79,053	Nil
Exploration, development and other expenditures relating to abandoned project			79,053
BALANCE — END OF PERIOD	<u>79,053</u>	<u>79,053</u>	<u>79,053</u>

STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

FOR THE YEAR ENDED JUNE 30, 1974 AND FOR
THE THREE MONTHS ENDED SEPTEMBER 30, 1974

	Three months ended September 30 1974 \$	Year ended June 30 1974 \$	Year ended June 30 1973 \$
SOURCE			
Mortgage		175,000	
Capital stock		<u>180,000</u>	
		<u>355,000</u>	
USE			
Deferred costs less depreciation included therein	151,642	636,748	201,548
Land and grazing leases		267,500	37,500
Mineral properties		210,000	
Mortgage		70,000	
Truck			4,910
	<u>151,642</u>	<u>1,184,248</u>	<u>243,958</u>
INCREASE IN WORKING CAPITAL DEFICIENCY	151,642	829,248	243,958
WORKING CAPITAL DEFICIENCY — BEGINNING OF PERIOD	<u>1,048,650</u>	<u>219,402</u>	<u>(24,556)</u>
WORKING CAPITAL DEFICIENCY — END OF PERIOD	<u>1,200,292</u>	<u>1,048,650</u>	<u>219,402</u>
REPRESENTED BY:			
Current assets	8,878	650	6,654
Current liabilities	<u>1,209,170</u>	<u>1,049,300</u>	<u>226,056</u>
WORKING CAPITAL DEFICIENCY — END OF PERIOD	<u>1,200,292</u>	<u>1,048,650</u>	<u>219,402</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1974 AND
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1974

1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the company.

Deferred Costs

Exploration, development preproduction and administration costs incurred are deferred until the property to which they relate is placed in production or abandoned. The deferred costs will be amortized over the useful life of the orebody following commencement of production or written off to deficit if the property is abandoned.

Change in Fiscal Year-end

The company has changed its fiscal year-end from June 30 to September 30 in order to coincide with that of related companies. These financial statements present the company's financial position as at June 30, 1974 and September 30, 1974 and the results of operations for the periods then ended.

Values

The amounts shown for land and grazing leases, mineral properties and deferred costs represent costs to date and do not necessarily reflect present or future values.

Definition of Funds

The company considers working capital to be an appropriate definition of funds to present the changes in financial position.

2. LAND AND GRAZING LEASES

In April 1972, the company entered into an option agreement to purchase land and grazing leases covering Crown lands on which a number of the company's mineral claims are located. The total consideration under the terms of this option agreement is \$250,000 of which \$175,000 has been paid. To fully exercise the option, the balance of \$75,000 is payable in instalments of \$37,500 due April 19, 1975 and 1976.

The company also holds an option to purchase additional land and grazing leases on which certain other mineral claims are located. To fully exercise this option, the full purchase price of approximately \$65,000 must be paid on or before May 20, 1979.

During the year ended June 30, 1974 the company entered into an agreement under the terms of which it may be required to purchase additional land for \$120,000 up to November 1, 1976. If the other party to the agreement has not required this purchase by November 1, 1976 the company will have the right of first refusal to purchase the land until May 1, 1979.

With respect to the option agreements, the amounts are recorded in the accounts only when paid.

3. MINERAL PROPERTIES

The company's mineral properties are all located in the Kamloops Mining District and were acquired for 717,500 shares, (issued at an ascribed amount of \$221,500) and for cash of \$79,800.

During the year the company paid \$30,000 for certain undersurface rights and acquired mineral claims for \$180,000 (note 5).

4. BANK LOAN

The bank loan is secured by the company's letter of undertaking to provide a debenture at the bank's request, creating a second specific charge over the company's mineral properties and a floating charge over all other assets.

The bank loan is also secured by a letter of undertaking agreeing that as long as there are loans outstanding to the bank the company will not create any security ranking in priority to or pari passu with the bank loans without the bank's prior approval.

5. CAPITAL STOCK

(a) Under the terms of agreements dated May 30, 1972 and May 9, 1973 Teck Corporation Limited and Iso Mines Limited (Teck/Iso) were granted exclusive possession, management and control of the property of the company and the right to proceed with exploration and development at their own expense to complete a feasibility study. The agreements provide that on receipt of notice by the company of the intention of Teck/Iso to place the property in production, the company will issue to Teck/Iso a number of shares equal to thirty percent of the shares outstanding immediately following such issue.

(b) During the year the company issued 20,000 shares for \$180,000 (an ascribed value of \$9 per share, being the fair cash equivalent in the directors' opinion) for mineral properties.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

	Three months ended September 30 1974	Year ended June 30 1974	Year ended June 30 1973
Number of directors	8	8	5
Aggregate remuneration of directors as directors	Nil	Nil	Nil
Number of officers	6	6	5
Aggregate remuneration of officers as officers	Nil	\$2,000	\$22,500
Number of officers who are also directors	4	4	4

